



**Homeless in Gaza**

**Fight the Crisis!**

**Marx on Crisis**  
**Vote Labour now**  
**Milk poisoned**  
**War with Russia**  
**Bolivian fascism**

**Class Struggle 80**

## Brief Stuff

### Stand Up For ILWU 10 Members Jason Ruffin and Aaron Harrison: Drop Bogus Charges Now!-Rally October 6

On October 6, 2008 in Woodland, California, Yolo County Courthouse two young Local 10 ILWU Black longshoremen, Jason Ruffin and Aaron Harrison, will go on trial. On August 23, 2007, these two unionists were beaten and arrested while calling their union business agent to find out what rights they have on the docks. Although they had already been on the docks prior to lunch the police used the increased repressive (MARSEC) maritime security regulations to assault these union members. They were initially charged with "trespassing" and "resisting arrest" but the "trespassing" charge was dropped. The video shows that they did nothing wrong.



The Sacramento police and Yolo County sheriff's department have a record of racist attacks on African American and Mexican American youth. They recently ordered a court room closed on a murder case to prevent the family and public to attend the hearings. The American Civil Liberties Union (ACLU) is defending these youth against unconstitutional police measures. The defense of these unionists is critical not just for them, their families and ILWU but all transport workers and all organized labor and working people. Transportation workers face the brunt of this repressive legislation including the TWIC cards which are now being used to fire workers who have past criminal records and to target port truckers, many of whom are immigrants.

The use of "homeland security" and the bipartisan "war on terror" to attack US workers is not new and not an accident. It is part of the war on the working class and a coordinated effort to repress workers and control the trade union movement. The government violates the constitution daily and wages a criminal war in the Middle

East. And now Wall Street crooks go "scot free" while workers in this country are attacked using the rubric of "homeland security".

We condemn this attack and demand that the charges against these ILWU 10 brothers be dropped. All unions and workers should attend the rally that will be held on Monday October 6, 2008. Buses will leave ILWU Local 10 at 6 AM (400 North Point St. by Fisherman's Wharf) Initiated by Transport Workers Solidarity Committee [www.transportworkers.org](http://www.transportworkers.org)

### Pink Green Left on Bolivia

The supercilious Pink Green lefties like Fred Fuentes <http://boliviarising.blogspot.com/2008/10/bolivia-this-is-fight-between-rich-and.html> and Stuart Monckton are the left leg of the popular front in Bolivia. Every election that keeps the majority passive is interpreted by them as a victory against the right. This means that the vanguard that occupied La Paz in 2005 and drove the government to Sucre were ahead of the Bolivarian timeline, so that when Morales came back from his 6 week trip out of Bolivia and engineered another election, it was he who offered the correct leadership. [The Bolivarians are the new Mensheviks: *first* national liberation, *only then* socialism. Do not get ahead of yourselves is the message!]

So every time the masses stage a semi-insurrection and are contained by the treacherous bureaucracy and suppressed by the populist leaders, this is because they are ahead of themselves. "The conditions are not ripe". The dynamite is wet. So the masses are never ready, there was no dual power in 2005, or more likely the Bolivarians were worried about losing power. So the left

leg of  
the



popular front says that the bourgeois populists are leading workers, not holding them back! That is the definition of the popular front. Tie the workers' hands behind their backs and call it a red ribbon.

The fascist right keeps testing the popular front to see if it can still contain the masses. The 'red ponchos' are Morales rich peasant militia to keep the discipline of the popular front. They threatened to hang the Huanuni miners who told Morales his government did not



represent them. Such threats were not enough so Morales attacked the vanguard and killed two of their militants and then used their blood as the price of his 67% majority in the recall referendum.

The recent fascist killings of 16 peasants in Pando were a direct test of the popular front. Morales' response was to arrest the Pando prefect! But the masses were not going to put up with that. One of his MAS leaders cried out after the killings in Pando "Why didn't you do something". So what happens? A new pact is signed between the bureaucracy of the social movements and the unions to tighten the ropes on the workers hands.

The Australian pink greenies see this as *progressive* when what Morales is really doing is using the blood of the martyred dead as bargaining chips for a new deal with the Media Luna fascists. Now Morales offers another deal to the fascist killers for a Referendum on the Constitution in January. While they are discussing this new pact the miners plan for action is diverted into yet another ceremonial march led by Morales. For the pink greens this is progressive and correct and the miners had better wait for instructions from the Bolivarians.

## Shop till you stop...the crisis?

The liberal solution to the crisis is to get out and shop. This is also the view of the reformist left. They celebrate the return of 'Keynesianism' to end the current crisis. If the problem is that the poor don't have enough money to buy stuff then the solution is more money. The technical word the reformist left uses to explain the crisis is '*underconsumption*'. Thus the Australian pink green left reprints John Bellamy Foster, editor of *Monthly Review*, <http://links.org.au/node/677>

*"The truth is the advanced capitalist system has been dependent on a process of financialisation (the increase in the financial superstructure relative to the "real economy") as the main means of combating the stagnation of production and investment for decades now -- beginning in the 1960s, but accelerating in the 1980s, and accelerating still more in the 1990s. It is the underlying tendency to stagnation rooted in exploitation and inequality that is the root problem. (This was brilliantly and relentlessly explained in a long series of articles by Monthly Review editors Harry Magdoff and Paul Sweezy from the 1960s to the 1990s.) Financialisation, the blowing of one bubble after another (ideologically justified by neoliberalism), was offered as the solution to stagnation in the real economy. It was this that mainly spurred economic growth in the United States and elsewhere at the centre of the system given the stagnation of investment in new productive capacity (held down by existing overcapacity). Ultimately, however, there was no "solution" other than the wiping out of capital: "the real barrier to capitalist production," Marx wrote, "is capital itself."*

Here Foster says that this is not a financial crisis but one due to long term stagnation where capitalism produces more goods than can be consumed. Here he misrepresents Marx by making *underconsumption* rather than *overproduction* the cause of the crisis. At first glance these appear to be two sides of the same coin. But they are not. Underconsumption means that all you have to do is increase the incomes of consumers and the problem is solved. This is the underlying assumption of that branch of neo-classical economics (value is set by supply and demand) dressed up as Marxism. It means that by increasing demand you can match it with supply. And since capitalists cannot be trusted to do this,

the state has to



intervene to overcome underconsumption. This would prevent the 'financialisation' of surplus capital and crises such as the one we are facing.

For Marx, the crisis is caused by overproduction of capital, both commodities and money, when insufficient profits are realized, *even when those commodities are consumed at their values*. The solution for the capitalists is to increase their rate of profit by reducing the costs of plant, machinery, raw materials and labor power. The "wiping out of capital" does not only refer to the destruction of fictitious or unproductive capital but the devaluation of productive capital, both over-valued plant, machinery and raw materials, and variable capital – the value of labor-power, or wages.

**Against the bosses' solution the solution for the workers is not only to fight for jobs and higher wages, but to overthrow of the wage system, i.e. capitalism, and its replacement by socialism.**

# NZ: A Tactical Vote for Labour now!

*The fast approaching election is not a normal election. The current international capitalist crisis has put the capitalist class under increased pressure, and the capitalist class is committed to solve this crisis at the expense of workers. Our attitude towards the competing parties now is about how the working class can defend itself from the bosses trying to make us pay for their crisis. We do not have the luxury of assuming that Labour and National are just two bosses' parties, and that it makes no difference to our class which one we vote for. In the past we have argued for a tactical vote for Labour in order to expose it. This tactic has been overtaken by the crisis and what it means for workers. We have to assess which of the two main parties is the most immediate threat at to workers right now. We have come to the conclusion that the urgent task for workers is to keep National out of office. A National government would launch a massive attack on the working class and would weaken its still fragile organisations. That's why we advocate a tactical vote for Labour in this election.*

Why do we say this? After all National and Labour have both shown that they are ruling on behalf of the capitalist class. Labour has moved to the centre and abandoned its earlier commitments to the labour movement and workers in general in the last decades. Under Key National clearly has an anti-worker agenda. So while it is true that neither have the interests of workers at heart, let us see what we can expect from each party after November 8 if it becomes the government.

The crisis, (see the following articles and the causes and effects of the crisis) can only be solved in two ways - at the expense of the bosses or at the expense of workers. Both National and Labour will try to solve it at the expense of workers make no mistake. But the way they do it is like sudden death versus slow acting poison. When offered a choice between being shot or poisoned, Trotsky once said, I'll take the poison because I can at least try to get an antidote. In fact, Trotsky survived an attempt at poisoning before he was ice-picked to death.

## National's double barrelled shotgun

National has shown in the last 2 weeks that it proposes to return to a market driven policy in which workers get wage cuts while bosses get tax cuts. It has ripped out the employers' contribution to Kiwisaver and effectively made workers pay for it with lost wage increases. How do we know this to be true? Because National has said that it will give workers in or out of Kiwisaver the same wage increases.

When the crisis began to bite in the last week or so National's proposals were designed to rescue their big business mates not protect workers from job losses and

wage cuts. Its two main proposals were first a 1% cut in the Reserve Bank's rate of lending to banks. This means that the banks can get money more cheaply from the Reserve Bank than from the private banks facing a credit squeeze. While this may appeal to some workers as cheaper credit, in reality there is no expectation that any of this will be passed on to lower mortgage rates or any other debt servicing by the working class. This is effectively a tax-payer funded subsidy to investors to encourage them to take more "risks" and invest.



**Starbucks workers fight for \$12**

The second proposal was to force the Superannuation Fund to invest 40% of its fund in NZ. Key announced that this money would go into the pet schemes they are planning, Private Public Partnerships (PPPs) in toll roads, private prisons, private hospitals and schools etc. In other words, National would plunder the future pension funds of NZers for the short term profits of the private sector who would rake huge profits from these PPPs. This rip-off amounts to Rogernomics mark 2 except this time the state assets are not being openly privatised but rather plundered as taxpayers (created by workers) money going into private profits.

It's important to understand the link between National's cuts in taxes and social spending (e.g. taking the razor to the public service etc, cutting the R&D money going to industry and cutting Kiwisaver) and the use of the Super Fund to 'develop' the economy. Both amount to a redistribution of current savings all which originates in the labour of workers, into the pockets of big business.

National has also supported Labour's deposit guarantee that would pay out (without limit!) to depositors who might lose their savings in banks if they go bust. But National wants to extend this guarantee to the wholesale borrowing of NZ banks when the big 4 are Australian subsidiaries already covered by an Australian

state guarantee. In the context of NZ as a semi colony, this amounts to National underwriting Australian and other imperialist profit-making in the NZ economy. National is only interested in solving this crisis by protecting and boosting profits at the expense of immediately cutting wages and social spending on the working class. This is the double barreled shotgun sudden death facing the labour movement.

### Labours slow acting poison

Labour –and that of the closely aligned CTU –has a 'partnership' policy that claims that workers can be rewarded with their "fair share" of increased productivity (i.e. exploitation). Facing a crisis that threatens to destroy this 'partnership' Labour has revived the Keynesian economic methods of full employment and state spending to keep demand up in the economy so as to encourage investment and hence profits. Kiwisaver and Super Fund are part of this saving and investment strategy for profit growth.

National's policy to attack jobs, wages, spending and saving cuts out the foundations from this policy. That is why in response to the crisis Labour seeks to reinforce those foundations by a number of emergency measures. Job losses will be avoided with paid job training schemes and advancing house building and infrastructure projects. Labour's counter-crisis policy is designed to maintain the health of the capitalist economy and the slow acting poison of increasing exploitation and profits, but it has an immediate effect on workers in keeping them working, reasonably educated and healthy so that they are fit, ready and willing for exploitation.

Yet from a working class standpoint Labour's counter-crisis strategy opens up the opportunity for the labor movement to develop an antidote to capitalist exploitation. By keeping workers in work, training, education, and housing, and by allowing the unions to survive and grow, the labour movement can build the strength it needs to resist rising exploitation and increase its share of its own labour-power.

It can fight to reclaim that part of its former labor paid in taxes (including the bosses) that is being invested in public and private ventures. It can fight to reject all use of taxes by the private sector and to nationalise the key sectors of the economy -taking back former state assets and nationalising under workers control without compensation. All those industries that sack workers, close down, or are strategic in the economy like Fletchers, CHH, Fonterra, Telecom etc should be socialised. The antidote to the slow acting poison of rising exploitation is a fighting, democratic labour movement that pushes for socialisation of the means of production, distribution and consumption.

### Short, sharp shock

Some on the left will still say it doesn't matter if National becomes the government because it will give the labour movement a short sharp shock and galvanise it into action to bring down the government. Let's see how realistic this is. In the 1980s when we had a relatively

strong labour movement, Labour got its new right agenda passed by short, sharp shock treatment. The labour movement was defeated and did not recover in time to stop the next short, sharp shock of the National Governments attacks on workers and beneficiaries in 1990-1991. Short sharp shocks have never resulted in the union movement being able to rally strongly enough to bring down new right Labour or National governments.

In fact it was the return of the 5th Labour government in 1999 that created a breathing space for the unions to recover and begin to rebuild. After 9 years the unions have recovered some of their former strength and have begun to tackle the difficult job of recruiting members who have never heard of unions or are in jobs that have never been unionised. The Employment Relations Act is designed to embed Labour's class collaborationist 'partnership' policy and it cannot provide any real protection for workers. Yet National has promised to reform it and weaken those provisions that have allowed the unions to rebuild in the 2000s.

Therefore when some of the sectarian left say that a massive attack on workers is needed to revive and strengthen the unions, this is an insult to workers. On the historical evidence National will smother the weak child in its cot. The re-election of Labour facing this crisis will at least give the reviving union movement an even chance of surviving and consolidating its strength. A tactical vote for Labour facing this crisis gives workers more time and space to rebuild their forces and fight for an independent working class party.

### Voting Tactics

- **Vote for Labour candidates in every seat.**

A vote for any other candidate may defeat the Labour candidate even where Labour has had strong majorities in the past. For example the total vote of Green, Alliance, Progressive, Maori Party, RAM and Workers Party candidates may lead to the defeat of Labour in a number of electorates and lead to its defeat. A vote for Maori Party candidates may not only defeat Labour candidates in the Maori seats but give National an ally to form an openly anti-worker government.

- **Vote Party vote Labour to give Labour the largest number of list members.**

The Greens will probably have enough support outside the labour movement to get over the 5%. Therefore workers in the organised labour movement should give their party vote to Labour and not the Greens. Remember that the Greens can only play a role in support of Labour if Labour is returned. The Greens will not be able to stop National unless the party commits to Labour.

### November 8 -Vote for a Labour Government



# Capitalist Crisis in New Zealand

*The current crisis of the global economy tells us some home truths about capitalism. The capitalists are trying to download the costs of the crisis onto workers. National's strategy is to plunder the Superannuation Fund to finance private investment in infrastructure. Labour plans to spend future taxes on infrastructure housing and job training to counter recession. What position should workers take in this situation? We argue here that workers should support Labour's plan since it improves the opportunities for workers to organize in fighting democratic unions and prepare to socialize the economy under workers control.*

## Some home truths

First, the market cannot exist without the state. The evidence for this is overwhelming and has a long history from the origins of European colonialism in the 16th century, right up to the post WW2 Keynesian intervention of the state in the economy. The current crisis is the ultimate proof of this calling on massive state bailouts for the survival of the market.

Second, those who rule the market also rule the state. The evidence for this is also overwhelming and has a long history. Wherever the state intervenes in the market the outcome is in the interest of the capitalist owning class. Even those interventions that appear to benefit other classes, or people in general, are in the last analysis, designed to increase profits. When interventions become less beneficial for profits they come under attack and unless strongly defended are removed. The current rescues of the market prove that all the arguments about the state acting to distort the market are specious when the market is facing destruction.

Third, capitalism today is what Marxists call **state monopoly capitalism (SMC)**. If the first two propositions are correct, then we cannot be surprised at the fusion of interests between corporations that become increasingly big and powerful, and the nation states that serve their interests. This is evident from the clear benefits that flow to the capitalist owners from state policies in foreign relations, such as colonialism and imperialism, wars which are designed to extend the power and wealth of the monopolies and the use of the state to police and repress working class opposition to these policies.

We take from these truths the fact that in order to survive capitalism has over the last century or so been forced to become more and more monopolised and that these monopolies rely increasingly on the state to defend their interests.

**Monopolies are defined not only by the exploitation of workers in production to produce profits, but by the grabbing of the profits of other less powerful firms.**

So what the capitalists argue are special circumstances today –the massive state interventions to rescue the "system" –are actually no more than the normal and necessary historic role of the state to defend the interests of capitalism, today as State Monopoly Capitalism where the state...bails out the banks!

## The case of New Zealand

NZ as a capitalist nation is a good example of these truths. Capitalism in NZ was born as State Monopoly Capital. The state was necessary from the start to enable colonisation to occur. The British state forcibly suppressed the Maori people and dispossessed it of its best land. To develop the land and industry, the state borrowed heavily and so forced the taxpayers to fund the development of infrastructure to enable the capitalist economy to be set up. So business was funded by the national debt paid out of taxes deducted from the surplus created by workers. A market for Land, Labour and Capital was created by the state.



The NZ economy did not take off however until after WW2 on the basis of a strongly interventionist state under Labour governments that protected the domestic market from global competition. Small farmers and businesses were able to grow as a result of heavy state subsidies, tariffs and import controls. Public works created a necessary infrastructure, while state borrowing and marketing of

exports subsidised the costs of individual capitalist owners.

This state-protected economy allowed the rise of local monopolies. Some were state owned such as energy, rail, telecommunications etc., because no capitalist would risk money in such massive ventures. Others, such as building, food processing, like Fletchers, Watties etc., were in the private sector but heavily subsidised (again by the taxation of workers wealth). Growth was possible so long as exports were efficient and protected domestic industry could compete with imports.

But increasingly exports were subsidised by the state out of taxation (again created by workers whose surplus

value pays workers as well as bosses taxes) to compensate for the high costs of inputs from protected industry. Local industry could not sustain the cost of cross subsidies (they couldn't screw more value from workers) when monopoly industry reached the limit of the NZ market. The class interests of the monopolists in exports and domestic industry prevailed and deregulation, cuts in subsidies and removal of protection was forced through by the 4th Labour Government of the 1980s.

NZs SMC was then directly exposed to competition with global SMC which devalued and restructured NZ capital. A fraction of NZ SMC which had comparative advantage survived in partnership with increasing FDI. The more efficient export producers rapidly amalgamated to form monopolies particularly in dairy and the meat industry. The state backed cooperative structure of these industries is now being merged with NZ and global monopoly partners. The case of Fonterra is the subject of the following article.

**The current crisis is impacting on NZ in the following way. NZ is now fully integrated into the global economy. The crisis of profitability in the US, EU and Japan, and the prospect of a similar crisis in China, will see the big global monopolies backed by their states competing for ownership and control of NZs key productive sectors.**

**US pension funds and Aussie banks are the most prominent. They will be looking for the cheapest raw materials and labour power and use FTAs as a way of getting the best deal. They will push for the lowest compliance costs in labor and environmental law, and the lowest taxes and biggest infrastructure and energy subsidies. They will want a NZ government that is willing to offer them these least cost options.**

### Labour's response to global SMC

Labour's social democratic approach to the national economy is to try to strike a balance between the interests of NZ SMC and global SMC to protect the share of value retained in NZ for redistribution as the social wage. The social wage is the redistribution of some of the value created by workers back to them to cover costs that the wage paid by employers does not e.g. health, education, housing etc. It is a workers subsidy to employers rather than a welfare payment to workers.

We can see Labour's FTAs as an attempt to negotiate deals that try to balance the interests of NZ SMC with the SMCs of the US, EU, Japan, Australia etc. So far NZ has negotiated FTAs with other small independent or semi-colonial states in a similar position to itself in the world economy. These are nations that are essentially exporters of commodities like Chile or, like Singapore, trading and service providers. The object is to trade off increased access into these markets for NZ commodities

and NZ FDI in exchange for FDI access to the NZ economy in infrastructure and services etc. The [FTA with China](#), itself an economic giant but not yet an imperialist power, is a good example of his approach.

Has the FTA with China achieved Labour's objectives of creating opportunities for the growth of NZ SMC and avoiding the dominance of Chinese SMC? The upside is a rapid reduction of Chinese tariffs and opportunity for joint ventures (JVs). The damage done to Fonterra's JV with Sanlu is a hiccup in this process (see article on [Fonterra](#)). Chinese access to FDI in NZ does significantly change its existing access. But given China's massive [sovereign wealth fund](#) it may replace US, Australian and Japanese FDI in the near future.

So while Labour's limited social democratic trade objectives appear to be met insofar as NZ SMC has won benefits from FTAs, there is no necessary benefit of a 'trickle down' of social wealth inside NZ. For example,

increased sales and profits to JVs in China are not going to be retained in NZ (as these industries become internationalised) or redistributed to NZ workers. Fonterra and other JVs in China will have to compete with Chinese and other FDI (US, Japanese, Taiwanese etc) on the basis of labour productivity in NZ and China. As the Greens and [others](#) point out this will involve increasing exploitation and oppression for workers in China (and consumers as in the case of Sanlu)

as well as in NZ (see comments on [Fonterra workers](#)).

Clearly social democratic attempts to moderate the worst effects of the global market are unable to avoid the need for SMC to make its profits at the expense of increasing exploitation of the working class. I will come back to this below on the section on workers' fight against SMC.

### National and Labour respond to the crisis

National's historic approach is clearly to facilitate the takeover of NZ SMC by global SMC. Its policies in the 90's continued Labour's Rogernomic deregulation. The budget was balanced, taxes to the rich were cut, labour rights were attacked and welfare spending cut. The policy was designed to make NZ more attractive to foreign investment. More state assets were sold (Bank of NZ; NZ Rail; Contact Energy) and others were turned into 'state owned assets' (SOEs). [FDI increased](#) and most large NZ banks and businesses were bought up by Australian, US and other SMCs in the form of multinational enterprises, pension funds and private equity funds.

National's response to the current crisis has been to return to its former agenda of privatisation and cost cutting to encourage FDI into NZ. However because most valuable state assets have been sold, National is now focused on partial privatisation via Public Private



Partnerships (PPPs) that allow joint ventures between public and private sectors in industry and infrastructure. Their policy is to open the SOEs, roads, schools and jails to joint ventures. In the face of the global credit squeeze, National has taken the line of global SMC in pushing for cutting the Reserve Bank interest rate, supporting the Labour-led government's depositor guarantee. It has promised that the NZ Superannuation Fund would invest up to 40% of its funds in NZ if it becomes the Government.

In this way National is hoping to privatise the Super fund to bankroll new PPPs to create big profits for the private sector. This is like the profit sharing agreements of Big Oil to exploit Iraqi oil. So while National has already promised to cut taxes for the rich, and cut to cuts wages for workers, it now proposes to tap into existing tax savings to transfer it into private profits. National objects to deficit spending on public works because these are charges on future taxation which it wants to cut further, so it is determined to plunder existing tax savings. This is the equivalent of a tax cut for business and a transfer of public assets from social spending into capital spending for profit.

Labour's approach to the current crisis is to revert to the techniques of Keynesian demand management. As the recession bites Labour is prepared to increase deficit spending to fund infrastructure work, speed up house building, and set up skill training for those made redundant by layoffs and plant closures. The difference between Labour and National is that while National wants to plunder the existing savings of the Super Fund to capitalise PPPs for private profit, Labour wants to increase public debt as a charge against future taxation to stimulate the economy.

## Workers' fight against SMC

Both National and Labour are capitalist parties attempting to facilitate public investment to stimulate the economy. In the case of National this is a diversion of existing taxes in the Cullen fund to finance private sector growth for profits. In the case of Labour it is spending now to create jobs, housing, roads etc. to maintain consumption paid out of future taxation which will be created by the ongoing exploitation of workers.

There is no question that both are propping up SMC in NZ which can only survive by increasing the exploitation and oppression of workers. Yet when facing these two

options workers at the coming election are being asked to choose between being robbed of their taxes and pensions now as well as facing lower wages and increased exploitation in the future, or being kept in public works or job training so they can continue to be exploited and pay the taxes to fund growth of profits now and into the future.

Facing this choice there is only one option for workers. If we take National's option we are agreeing to being robbed now for the privilege of facing an economy in which wages, living standards and workers rights will come under increasing attack. If we take Labour's option we reject the plundering of the Cullen Fund or the cutting of Kiwifund, and agree to deficit financing to manage the recession and defer the question of who will pay this debt into the future. Since workers produce the wealth from which ALL taxes are paid, our strategy is to

keep as much of the tax wealth that we produce as possible as a social wage for use in employing, housing, feeding, educating and keeping us healthy. It doesn't matter that this drives up the public debt because it buys us the precious time we need to organise and prepare to give our collective answer to the question of who will pay for the debt in the future!

***We say that workers right now must fight to retain and regain the surplus that they contribute in profits and taxation by demanding that public spending goes on our wages, health,***

***education and housing, rather than goes into PPPs designed to boost the profits of the ruling class in this country!***

- **Jobs for all on a living wage. Public works funded out of taxation (which we create). Free comprehensive health, education and housing! Tax the rich to pay for it!**
- **Re-nationalise under workers control and no compensation to the bosses of privatised assets! Take back Telecom, Air NZ, Contact Energy, BNZ etc.**
- **Nationalise under workers' control with no compensation all industries that threaten mass sackings or close down!**
- **Fight for these policies by building fighting, democratic unions everywhere! Build workers councils and defence committees to stop evictions and lockouts!**
- **For a Workers and working farmers government and a planned socialist economy!**





# Fonterra and state monopoly capitalism

*NZ Dairy giant Fonterra, NZ's biggest exporter, is implicated in the scandal over milk contaminated by melamine in China. This scandal is a metaphor for global cannibal capitalism in which companies privatise their profits but socialise their costs. Fonterra is a private corporation owned by dairy farmer shareholders in New Zealand. It has expanded internationally in recent years, into the US, Latin America and in 2005, China, when it bought a 43% share in Sanlu. The deal involved NZ production technology but no real control by Fonterra of the Sanlu operation. Fonterra therefore entered a partnership where it gained profits from the joint venture, but had little oversight and control of production.*

Why would a company based on a farmers cooperative ownership which has a long history of advances in technology and quality control, risk its reputation and its future by gambling on such a risky venture? The answer is that to compete internationally against the other Dairy Giants, Fonterra went for high profits and passed on its risks and costs to the Chinese workers and consumers. At the same time it socialised its risks as the Chinese government and the NZ Government will have to pay for the damage done to the families and to both economies.

Of course this makes a mockery of the ideology of the free market that argues that bad investment decisions should be punished by losses or even bankruptcy. Fonterra's fiasco in China then, is no different from all the corporations that depend heavily upon 'externalising' their costs onto the public sector. It is no different to Lehman Bros, and the AIG who have been rescued by the US Federal Bank. Or Air NZ and the Bank of NZ that have been rescued several times by NZ governments. While the ideologues of the market complain that these corporates should be allowed to go bankrupt as punishment for their bad investments, corporate owners, central bankers and politicians know better. To allow the crisis to spread across the whole world economy will cause a major depression, a massive destruction of their wealth, and risk a popular challenge to the survival of the "system".

In a crisis then, neo-conservatives and liberals agree that the state must come to the rescue to prevent the collapse of the "system". They argue only over who will pay. The neo-cons like John McCain want tax cuts for the rich so that the tax burden of the central bank bail-outs will fall on the poor. Obama wants more taxes on the rich so that they and not the poor will carry the cost of the bail-outs. But the liberals are only quibbling about who will bear the costs. It is clear that the rich will benefit most from the rescues as the biggest and strongest banks and corporations backed by the state banks will survive. On the other hand, **all** those workers who lost their homes and their savings and equity are basically bankrupted.

And in the case of Fonterra you can be sure that it is not the families of the children who have died or got permanent kidney damage that will win. The Chinese and NZ states will cooperate to rescue their Free Trade Agreement by paying part of the health costs of these children. Sanlu managers may be punished and even shot and the company will struggle to survive, but Fonterra will escape real damage because it will be

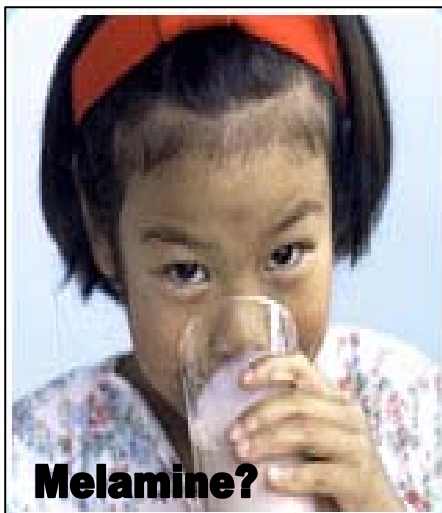
baled out by the social democratic NZ Government against any claims for compensation as it is the biggest NZ exporter and the backbone of the NZ economy.

Radical socialists object to this fraud. For them the power and wealth of the elite should not go unpunished. In particular radicals see finance capital as parasitic on productive capital, and should be nationalised and put under public control. Hence the sub-prime crisis would not have happened had Fanny Mae and Freddie Mac (that were formed to provide workers housing in the 1930s depression) not

been privatised and allowed to fund a huge speculative wave of gambling on housing. They are now saying "we told you so" and for every 'nationalisation' of a private bank or finance house, they say "more nationalisation" and "no privatisation"!

In the case of Fonterra, radical socialists argue that the cooperative ownership should mean cooperative control. Farmers should throw out the management that is trying to privatise the company and investing in production offshore where profits are put ahead of people. If the producers were in control and not the financiers then Fonterra would be a responsible and sustainable company. Radical Greens would develop this argument in the direction of a partnership between the producer cooperative and the state in investing in sustainable technology to reduce carbon emissions and protect the ecology, and to ensure that these standards apply in its international operations.

For Marxists there is more going on here than meets the eye. First, nothing new is happening. It's happened before over long historical cycles of booms and depressions. Depressions are caused by overproduction



of capital that cannot return a profit and they usually lead to the bankruptcies and buyouts by viable capital. In depressions (or to stop depressions) the public sector has increasingly intervened to subsidise losses to allow capital to recover its profitability and restore its growth. Big private corporations are nationalized to preserve them and prepare them again for re-privatization. With each cycle capitalist firms got bigger and more multinational in their operation.

Since at least the opening of the last century, big monopoly banks and corporations have fused as finance capital. Banking capital continues to operate closely with industrial or productive capital and both are intimately bound to the state. In fact in the 1950s US president Eisenhower coined the term "Industrial- Military Complex" to indicate how far this complex was embedded. And just as liberal generals recognized this fusion of capital and state, social democrats welcomed it as an opportunity for the tail to wag the dog. Post-war Keynesian economics fuelled the boom by heavy state intervention. The return of neo-conservative monetary fundamentalism came only when profits began to fall in the 1960s and neo-liberal ideologues pulled their copies of Adam Smith and Karl Hayek off the library shelves.

We conclude that the subprime crisis is but a symptom of a crisis of overproduction of capital. It is not an

aberration or novelty. The state monopoly capital "complex" shows that the state does not intervene **in** the market but rather **frames** it. 'Nationalisation' therefore is not a qualitative paradigm shift from market to state. Rather it is a quantitative intervention of the state on behalf of all capitalists posing as the 'national interest'. Since crises are inherent in capitalist production, neoliberal, liberal and radical socialist solutions that involve various forms of state intervention can only resolve crises at the expense of workers and the ruined middle class.

In the case of Fonterra this can be seen clearly insofar as Fonterra has become a Dairy Giant at the expense of both its workers and its cooperative owners. Dairy production has become increasingly concentrated in a large scale corporate employing wage labor and ownership is shifting from small family farming cooperatives towards a fully privatized corporation listed on the share market. It fits the model of a state monopoly corporation that privatizes its profits and socialists its losses. The only solution to state monopoly capitalism and its inherent crises is the socialization of the means of production, distribution and exchange and the building of a socialist economy and society.

## A Marxist analysis of the Current Crisis

*The current crisis is a crisis of the global capitalist system. It was not caused by bad housing loans but by falling profits. It puts the whole capitalist imperialist system at risk. There is only two ways out – either capitalism survives at the expense of the vast majority of workers and poor people, or capitalism is overthrown and replaced by a world socialist system.*

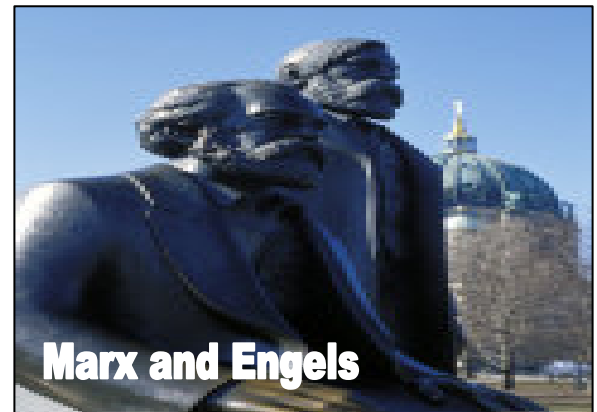
### Blame deregulation?

Most of the left commentary on the current credit crunch blames the US government for deregulating the finance sector. They point to the freedom that banks and mortgage firms had to lend money to people with no assets and insufficient income on the strength of rising property *values* (should be *prices* - see later). The result was overinflated prices that had to come down when the economy slowed and peoples' incomes fell so they couldn't service their debt. Not only that, but these banks bundled these mortgages into packages which they onsold so that the debt bubble spread right across the finance sector to some of the biggest investment banks like Lehman and Wachovia. Result, deregulation leads to speculation across the whole finance sector, and then ultimately to bad debts. Crash!

As proof commentators point to countries where stronger regulations prevented the current housing

bubble. Like France. This is an interesting case, since France has for over a hundred years been considered a rentier state. That is, it speculates *outside* France. The point of this should be clear below. Another instance is Sweden where a debt write-down in the 1990s resulted from deregulation but was "resolved" by 'nationalisation'.

What's wrong with this scenario? Speculation doesn't result from deregulation. Speculation causes deregulation. In fact what happens is that an overproduction of capital in industry creates a surplus fund of capital that has to look elsewhere for a profit. If it is not invested to make a profit it loses its value. Since it cannot do this in production it has to do it unproductively in speculating in assets. To facilitate this finance capital ensures that the government (which after all is the 'committee of the ruling class') allows it to do so. The result is overproduction of capital that



engages in unproductive speculation in the future values of already produced commodities. It is easy then to see that this does not create new value but instead speculates in the rise and fall of existing values (e.g. houses).

### But why this overproduction in the first place?

Overproduction of capital results from a falling profit rate such that capitalists cannot be sure of getting a reasonable return on their investment. This happens in capitalist economies in a cyclical fashion. Increasing investment in new technology makes labor more productive by increasing the rate of exploitation  $\{s/v$  - the amount of surplus value over the value of the wage roughly speaking). Workers can produce more commodities in a given time, so the labor time required to produce each commodity is less, and its value and usually its price is less. Capitalists make these investments then so they can produce more efficiently and cheaply and take a larger share of the market from their competitors. Capitalist growth is getting a larger share of the market, usually by these means, but not always (e.g. Iraq).

However, while this succeeds up to the point when the competitors make the same investment to catch up, it also carries a down-side. This is the fact that the more capital spent on what Marx calls *constant* capital which does not add value - plant, machinery, raw materials to make labor more competitive - relative to *variable* capital - wages of workers who do produce new value - then the organic composition - the proportion of constant capital to variable - rises, so that the rate of surplus value must rise faster to realise an adequate profit  $p = r/c+v$  (where  $p$  is profit,  $r$  is rate of exploitation  $(s/v)$  and where  $c$  is constant and  $v$  variable capital).

Marx calls this *tendency for the rate of profit to fall* (TRPF) the most important law of political economy. It is a general tendency and can be partially offset by counter-tendencies that reduce the price of  $c$  and  $v$  by various means among which are investing surplus capital abroad in colonies and other countries. Lenin later called this export of surplus capital *imperialism*.

### Jumping to the current crisis

It's clear that the US economy experienced a TRPF in the 1970s from which it has only partially recovered. This explains the export of capital in the last 30 years to many other countries to find the cheapest raw materials and labor as well as new markets and make bigger profits than was possible at home. Despite breaking down resistance to US FDI by the IMF, World Bank etc, capital export did not provide an outlet for all the surplus capital. It had to find new outlets by speculating in unproductive areas such as housing, commodities, and all sorts of other fictitious 'instruments' such as futures market. None of these markets created any new value, all they did was to speculate in the movement of the prices of these already created values, so that their prices went up and down according to supply and demand. This is what many have referred to as the 'casino economy'.

In any other country than the USA, the casino economy would not have grown to the extent that it has. This is because the value of the dollar would have collapsed and the US economy stagnated. Normally the value (price) of a currency such as the US dollar results from demand for actual real commodities produced in the USA. Those commodities have to be paid for in dollars so there is a demand for them. However, with the real productive economy stagnating, and surplus capital going offshore and into speculation, the declining dollar was artificially maintained by pegging it to the price of oil. Most of this oil is produced outside the US. Normally it would have to be paid for in the currency of the producer country. But the US was able to get agreement from most of the oil producers that dollars would be the currency used for oil on the world market. In this way the downward pressure on the US dollar caused by its stagnating domestic economy was artificially boosted by the rising demand for oil internationally and for the 'petro' dollar. Thus the US turned the world economy into an extension of the US domestic economy.

### How is this connected to the property boom?

Well, with billions of petrodollars held by the oil producers and in demand by the oil consumers, the US could run a balance of payments deficit where it imported much more than it exported, and borrowed much more than it lent. In fact it became the No 1 world debtor nation to creditors like Japan, China and the EU. It could maintain huge military expenditures, subsidise its agriculture, and allow its industry to go into decline with no incentive to make it more competitive. The housing boom was an extension of the US as a debtor nation. Since the US could import much more than it could export, and workers could get access to this credit, this carried over to the consumption of housing as well. US, EU and Asian banks, all loaned money in the construction and housing sector on the basis of a growing demand for housing which caused a boom in house prices. All was well until the stagnation of US industry failed to compete with US capital export and more competitive imports, as well as cheaper imports and more efficient Asian competitors like Sony and Toyota producing inside the US.

As jobs and wages were cut workers couldn't afford to keep up mortgage payments, and the huge edifice of debt now spread right through the international banking system began to collapse. The sub-prime crisis spread to the credit crunch to the crisis of "the system" as George Bush calls it. So the bailout, by whatever name, is to get those bad debts off the balance sheet to allow the banking system to restore its confidence (to make profits) and start loaning capital again.

So it is a crisis of the whole "system" not just the banks. In fact the US has been able to postpone its "system crisis" by living off the rest of the world. That world is capitalist and is continuing to produce value and profits. In fact the US capitalists are benefiting from massive profits overseas (around half of its total profits). But more important, the health of the capitalist system outside the US, and the growing share of US profits in that, has finally disciplined the US ruling class and forced it to revalue its



overvalued domestic economy. Thus as the world grows tired of propping up the US dollar and begins to sell oil for Euros etc., the US will have to restore the competitiveness of its exports to maintain the value of the dollar. The foreign plants inside the US have forced a reinvestment of productive capital into new high tech sectors so that US exports are now increasing. The auto industry has just got \$25 billion from Congress to re-tool so it can compete with the Asian and EU automakers. Excess capital that is being destroyed by the collapse of the housing bubble will be taken off the books of the surviving banks and they will now begin to invest their capital in a revived and renewed US domestic industry.

### Solving the crisis on the backs of workers - or not

So, far from this crisis being caused by speculators freed from state regulation, it is caused by the lack of competitiveness of US domestic industry pushing surplus capital into speculative assets that have now proven to be valueless. This bubble maintained the fiction of value because of the role of the US dollar as world money enabling the US to live as the No 1 debtor nation. What brought this bubble to an end was not the deregulation

of the banking sector, but deregulation of DFI flowing outwards and inwards into the US economy. Investment in high tech production in Asia and the US forced the uncompetitive US plants restructure and retool.

Along with this we see the restructuring of the labor market to re-assign labor to the more competitive industries or into the reserve army of labor. Part of the historical re-adjustment of workers' living standards has been the collapse of inflated housing prices. The tent cities springing up everywhere prove that this new phase of US capitalist development has broken down the artificial barrier between the protected US economy and the rest of the world. US workers living standards are now sinking to the world level. The capitalists in the rest of the world will no longer allow the US ruling class to live at their expense. The inter-imperialist rivalry between imperialist blocs will intensify dramatically. It's now up to US workers to join forces with workers everywhere to refuse to let the ruling classes in every country live at their expense.

## Plan for Socialism

*Facing the crisis of the bosses falling profits and the destruction of many trillions of fictitious capital, workers internationally must mobilise to solve the crisis on our own terms. The alternative is capitalist barbarism or workers socialism! In order for workers to live, capitalism must die!*

We are facing more than a crisis (which is the interruption of the flow of capital) and are now facing a global depression. Depressions function to destroy surplus capital that is unprofitable so that the surviving capital can be reinvested in production and realise a sufficient profit. What is being called the global finance meltdown is no more than this destruction of surplus capital to renew the conditions for profitable production. We are witnessing the [wholesale devaluing](#) of surplus capital that has created a massive speculative bubble in the last decades but cannot return a profit.

### State nationalisations to rescue the bosses system

The central banks and the state treasuries of the major imperialist powers are taking responsibility for this process of destruction and restructuring of capital. This is to be expected. Capitalism has always made use of its state power to create and defend the conditions for capital accumulation -from the 'primitive accumulation' of conquest and plunder in the 15th and 16th centuries to conquest and plunder of state monopoly capitalism today. We live in the epoch of imperialism, in which finance capital -the fusion of banking and industrial capital - rules through the state machine to invade, destroy and plunder the world resources for profits.



Thus facing a massive crisis of devaluation, capital relies on the state to prevent its collapse and demise. The measures used by the US, EU and UK central banks to subsidise the losses of banks, including 'nationalising' them, are being done on behalf of the whole capitalist class in the general interests of that class (and not as [some](#) would say the workers). It is the general interest of capital as a class that the weakest capitals are bankrupted and that the strongest concentrate and centralise capitalist assets in [larger firms](#). This destroys the vast supply of surplus capital that cannot realise a profit reducing capital stock to the level that it can be reinvested profitably.

### Imperialist wars on the horizon

This is also true between nations. While it appears that the rescue operations are coordinated between the major powers, in reality the costs of the destruction of capital are being partly transferred from US based finance capital onto their rivals in the EU, UK and Japan. Further, the biggest cost is downloaded on to the weakest nations as the destructive process becomes global. The nations that will suffer most are those *without* real assets, productive investments, or huge sovereign funds such as the oil rich countries of the Middle East and Russia and China.

For example, the UK while a political ally of the US is paying part of the cost of the US subprime crisis and its own finance capital speculation in fictitious assets. As well as part-nationalising the 3 main commercial banks, Brown has used anti-terror legislation to [freeze the assets](#) of Icelandic banks in which UK state agencies, the police and local councils, have invested their funds. This will also have an impact on Russia which has just made a massive loan to Iceland. Thus Brown is seeking to download part of the cost of US and UK finance capital speculation in risky assets onto the people of Iceland and the people of Russia, and of course to UK workers.

### **Workers bear the cost of the depression**

Clearly it is the working class that will bear the biggest burden of these bailouts and rescue operations of finance capital. Depression destroys not only surplus constant capital, but also variable capital. Variable capital is basically the value of labor comprising the total costs of the 'wage basket' - food, housing, transport, health, education etc. Loss of jobs and conditions drives down wages and allows bosses to reinvest productive capital in industry along with cheaper more exploited labor. But widespread loss of jobs, incomes, housing etc means that the process of destruction hits workers hardest and creates the conditions for the rise of anti-capitalist resistance.

So when the bosses talk about the destruction of "the system" they don't really mean the loss of trillions of surplus capital, they are talking about the massive anger and opposition to the effects of this on the working class that has the power to organise and bring down capitalism and replace it with socialism. Thus the attempts by the bosses' states to manage the crisis are directed almost entirely to the management of the impact of the depression upon the working class and the suppression of organised anti-capitalist resistance.

The value that is being destroyed so far is mainly [fictitious capital](#) (the paper assets that have no real value because they cannot be exchanged for commodities embodying the labor of wage workers). It is of no interest to workers to defend this fictitious capital invested in non-assets with no value from destruction. So the housing mortgages that are based on hugely inflated prices of land and housing should be cancelled. It is a good thing for this fictitious value to be destroyed so that homes can return to their real value i.e. the labor-time of the workers producing all the materials and labor required to replace them.

#### **1. Mobilise to occupy homes, fight foreclosures and evictions. Build local union-based defence committees.**

The big investment banks are the headquarters of finance capital. They are the repositories of money capital, that is, the value produced by workers in commodities that are exchanged for money deposited by the capitalists in banks. Much of their assets will be

fictitious capital which is reflected in their massive losses following the sub-prime collapse.

The nationalisation of the surviving investment banks under workers control would not compensate their owners for bad assets. It means revaluing assets at their real value as a capital fund for investment in planned production. Commercial banks based on workers deposits would be nationalised and combined as a single state bank.

#### **2. Nationalise the banks without compensation and under workers control!**

The productive capital invested in industry only survives on the basis of massive state subsidies as well as at the expense of workers who have lost jobs, decent wages and benefits. The sub-prime crisis which triggered the meltdown of fictitious capital originated in the attacks on workers jobs and living standards so that they could not afford their mortgage repayments.

#### **3. Occupy and demand the nationalisation without compensation and under workers control of all big capitalist corporations and big landlords!**

*The workers' fightback needs to be mobilised by transforming the existing organisations of the labor movement, the unions.* The leadership of the unions is reformist and defends the class collaborationist policies of social democracy to moderate the bosses attacks on workers. They believe in workers collaborating with bosses, so the role of the unions is to limit their actions to pressuring political parties and voting for those that promise to bailout 'Main Street' rather than 'Wall St'. They want nationalisations of finance capital "in the interests of workers". But this is a lie and a fraud. Nationalisations must not compensate the bosses' at the expense of workers and must be under workers' direct control.

#### **4. Workers Democracy: for rank and file control of the unions. Build workers' councils, and defence committees!**

The fight for workers democracy in the unions means breaking the rank and file from the reformist leaders who preach bosses democracy and prop up the capitalist class. In the US they are the AFL-CIO backers of Obama. In Latin America they are the reformist left that politically supports the Bolivarian regimes of Chavez, Morales, Lula etc. In NZ they are the CTU that politically supports the Labour Party. To make this break it is necessary to build a revolutionary workers party on the tradition of Marx, Lenin and Trotsky in the vanguard of the union movement.

#### **5. Build a revolutionary [Leninist-Trotskyist](#) party in the vanguard of the labor movement!**

# Class Line in the Caucasus

*Most of the revolutionary left has responded to the war in the Caucasus with a dual defeatism of the imperialist blocs on both sides because Russia is imperialist and Georgia is a proxy of US imperialism. CWG takes this view. However, we differ from the majority of the FLT which holds that Russia is an independent capitalist state subordinated to German imperialism. For the FLT majority dual defeatism in the recent war follows as each of the protagonists are proxies of their respective imperialist masters. While the majority and minority differ on our characterization of Russia, we are in agreement on the class line in the Caucasus – defeat for both Russia and Georgia in the war, and the fight for the independent mobilization of workers in the region to fight against imperialism and for a Federation of Socialist Republics of the Caucasus!*

Lenin defined Russia as imperialist in 1917 though its imperialism had special features and little export of finance capital. Lenin considered Russia imperialist because it was a "prison house of nations" and extracted tribute as super-profits from its political protectorates. In that sense, Russia was an imperialist power in transition from a feudal empire to capitalist imperialism, while dominated by French and German imperialism. The Bolshevik revolution ended Russia as an imperialist power.

## Is Russia imperialist today?

We can ignore the right wing idea that Russia has restored a pre-Bolshevik Great Russian Empire. The law of value dominates in the former SU not feudal tribute. To qualify as an imperialist country today Russia would have to be exporting capital and importing super-profits. It doesn't matter how much of a bastard Putin is, how murderous the Russia army is, or what sort of 'great Russian' ideology flowers to spur Russia on to domination of the republics and autonomous regions of the former SU. The only thing that counts is if Russia is extracting super-profits from these countries, in the same way that France, Germany, Britain, US, Japan etc., extract super-profits from their semi-colonies and protectorates.

To become a new imperialist power, Russia has to re-divide parts of the world in competition with the existing imperialist powers. The FLT majority argues that no new imperialist powers can emerge in the present epoch, since this would mean a re-division of the world at the expense of existing imperialist powers. But the SU was



outside the sphere of interest of the competing imperialist powers for 75 years as a post-capitalist mode of production. The collapse of the SU resulted from a long series of wars and cold wars to destroy that mode of production and to re-open the former degenerate workers state to global capitalism. One has to ask: Is it excluded that Russia cannot re-establish itself as an imperialist power on the territory of the former SU and beyond?

Despite the imperialist powers successful attempts to enter the sphere of interest of the

former SU in the Baltic states, Poland, Ukraine, Georgia etc., Russia retains a dominant sphere of interest in the CIS, especially in central Asia (Uzbekistan, Kazakhstan, Turkmenistan etc) and South East Europe (Serbia, Moldova etc). Russia is now a net exporter of capital to the CIS, EU and Africa. It had \$157 billion in outward foreign investment at the end of 2006. It had around \$200 billion inward DFI in 2007 but most was 'round tripping' Russian capital that fled during the 1990s returning via Cyprus and Luxembourg. Russia has also expanded by share swaps (BASF and Gazprom) and joint ventures with imperialist corporations and CIS state sector firms. This was typical of Russia before the revolution and today Russia dominates these joint ventures insisting on a controlling interest to take the lion's share of surplus value. Far from dominating Russia, Germany's total DFI in Russia was only \$50 Billion in 2007.

We would say that Russia is clearly extracting huge super-profits from its oil interests in what are now the formally independent nations in Central Asia. Its GDP is the sixth largest in the world. Its outward FDI (when round tripping is accounted for) exceeds and is continuing to outstrip inward FDI. The net export of capital is a measure of the existence of finance capital as a fusion of banking



and industrial capital dominated by the centralized state. In many respects capitalism in Russia today resembles the form of imperialism Lenin found in the early 1900s. In that sense Russia today is an imperialist country that has successfully defended the re-partition of the former SU from the existing imperialist powers. It is now in the position to increase its imperialist control over the resources of Central Asia and expand its state gas and oil monopolies into EU and North Africa.

### **How are Russia's imperialist interests expressed in this war?**

From what has been argued above, it follows that Russia is motivated in its war against Georgia to defend and extend its imperial control of the Caucasus against its imperialist rivals. Russia is allied economically with France and to a lesser extent Germany because it supplies these states with gas. It is hostile, however, to the US, UK and EU as imperialist powers that are contesting Russia's dominance in Central Asia. It regards the US/UK oil pipeline that runs through southern Georgia and Turkey and eventually Israel, as an extension of US intervention in its sphere of interest. It sees the US policy of promoting 'color' revolutions in the Baltic states and the Ukraine and Georgia as clear evidence of the US creating new protectorates or semi-colonies in the region. Russia opposed the Sheverdnadi and Saakashvili deals with the US to remove Soviet era bases and establish US bases and to join NATO as direct attacks on the security of its southern border. It has worked hard to create majorities in Abkhazia and South Ossetia to create a buffer zone between Russia and the new US client state in Georgia. So when Georgia invaded South Ossetia, Russia took the opportunity to invade Georgia and militarize the buffer zone.

While in our view Russia is an imperialist power motivated in its war to defend and extend its control of resources in the region, and Georgia is a semi-colony of the US and EU, there is no obligation to defend Georgia from Russia. This has nothing to do with the unpopularity of Saakashvili (which is true) or its invasion of South Ossetia. These by themselves would not change the political character of Georgia as a semi-colony.

What is decisive in this situation is the fact that Georgia as a semi-colony is also a client state under the direct control of the US and is acting as a US proxy in its relations with Russia. To defend Georgia against Russia would not demonstrate to the Georgian workers that we are against their national oppression. It would mask the fact that Georgia is already oppressed by the US. It would not make it clear that the people of Georgia are being used by both the client Saakashvili regime and its imperialist masters as pawns in an inter-imperialist war for oil. How could we defend Georgia from Russia without also defending it from the US/Israel specialists, military advisors etc., and those who were clearly acting behind Saakashvili in the bombardment of South Ossetia? Not to do so would fail to show how Georgia's national

sovereignty is already sacrificed to the interests of the US in its rivalry with the EU and Russia.

To be more specific, Georgians have been ethnically cleansed from South Ossetia and Abkhazia. While Russia is also responsible for this and gains a buffer zone in which Russian nationals dominate, the US is the main beneficiary. The US will now extend its military base near Tbilisi and militarise the south of Georgia to defend the oil pipeline. Therefore the US has intervened in Georgia to split the country and its national sovereignty to further its oil interests. Further, the US is working on the other former members of the Soviet bloc, Poland and Ukraine, to expand NATO and to ring Russia with forward missile sites. Poland has agreed to do so, and the membership of NATO by Ukraine is being fast forwarded.

To conclude, by defending Georgia against Russia we would not be defending the national rights of Georgia. Rather we would be providing cover for the US (and NATO) to present its opposition of Russia as a defence of the national rights not only of Georgia but also the Ukraine and all the other former members of the Soviet bloc that are now US and EU semi-colonies as part of the "new Europe".

### **The correct position is defeat on both sides and defence of the national rights of the oppressed countries in the region.**

Therefore the only way to show to workers in all of these former Soviet bloc countries that their fate rests with breaking from both Russian as well as US and EU imperialism, is mutual defeat in wars between the imperialist blocs and their proxies, combined with the defence of the rights of all these nationalities to self-determination. On the 'National Question' Lenin's method was to prove to workers in oppressed countries that the workers of the oppressor countries would side with them in their fight to win independence from the imperialist ruling class. In the current case, this purpose would be defeated if we opposed only Russian oppression and ignored US oppression in Georgia. On that basis, dual defeatism is consistent with Lenin's method.

**Therefore, we are for the right of Georgians to self-determination against all regional powers including US military occupation. We are for the right of South Ossetians for independence from Georgia and voluntary association with the Russian Federation. The same goes for Abkhazia. However, since all of these countries must break from imperialism to win their independence this can only result from socialist revolution based on workers councils and militias, and led by an internationalist revolutionary Marxist party, the forming of workers' governments, and voluntary membership of a Federation of Socialist Republics in Eurasia!**

# What we Fight For!

## Overthrow Capitalism

Historically, capitalism expanded world-wide to free much of humanity from the bonds of feudal or tribal society, and developed the economy, society and culture to a new higher level. But it could only do this by exploiting the labor of the productive classes to make its profits. To survive, capitalism became increasingly destructive of "nature" and humanity. In the early 20<sup>th</sup> century it entered the epoch of imperialism in which successive crises unleashed wars, revolutions and counter-revolutions. Today we fight to end capitalism's wars, famine, oppression and injustice, by mobilising workers to overthrow their own ruling classes and bring to an end the rotten, exploitative and oppressive society that has exceeded its use-by date.

## Fight for Socialism

By the 20th century, capitalism had created the pre-conditions for socialism –a world-wide working class and modern industry capable of meeting all our basic needs. The potential to eliminate poverty, starvation, disease and war has long existed. The October Revolution proved this to be true, bringing peace, bread and land to millions. But it became the victim of the combined assault of imperialism and Stalinism. After 1924 the USSR, along with its deformed offspring in Europe, degenerated back towards capitalism. In the absence of a workers political revolution, capitalism was restored between 1990 and 1992. Vietnam and China then followed. In the 21st century only Cuba and North Korea survive as degenerate workers states. We unconditionally defend these states against capitalism and fight for political revolution to overthrow the bureaucracy as part of world socialism.

## Defend Marxism

While the economic conditions for socialism exist today, standing between the working class and socialism are political, social and cultural barriers. They are the capitalist state and bourgeois ideology and its agents. These agents claim that Marxism is dead and capitalism need not be exploitative. We say that Marxism is a living science that explains both capitalism's continued exploitation and its attempts to hide class exploitation behind the appearance of individual "freedom" and "equality". It reveals how and why the reformist, Stalinist and centrist misleaders of the working class tie workers to bourgeois ideas of nationalism, racism, sexism and equality. Such false beliefs will be exploded when the struggle against the inequality, injustice, anarchy and barbarism of capitalism in crisis, led by a revolutionary Marxist party, produces a revolutionary class-consciousness.

## For a Revolutionary Party

The bourgeois and its agents condemn the Marxist party as totalitarian. We say that without a democratic and a centrally organised party there can be no revolution. We base our beliefs on the revolutionary tradition of Bolshevism and Trotskyism. Such a party, armed with a *transitional program*, forms a bridge that joins the daily fight to defend all the past and present gains won from capitalism, to the victorious socialist revolution. Defensive struggles for bourgeois rights and freedoms, for decent wages and conditions, will link up the struggles of workers of all nationalities, genders, ethnicities and sexual orientations, bringing about movements for workers control, political strikes and the arming of the working class, as necessary steps to workers' power and the smashing of the bourgeois state. Along the way, workers will learn that each new step is one of many in a long march to revolutionise every barrier put in the path to the victorious revolution.

## Fight for Communism

Communism stands for the creation of a classless, stateless society beyond socialism that is capable of meeting all human needs. Against the ruling class lies that capitalism can be made "fair" for all; that nature can be "conserved"; that socialism and communism are "dead"; we raise the red flag of communism to keep alive the revolutionary tradition of the ' *Communist Manifesto* of 1848, the Bolshevik-led October Revolution; the Third Communist International until 1924, the revolutionary Fourth International up to 1940 before its collapse into centrism. We fight to build a new, Fifth, Communist International, as a world party of socialism capable of leading workers to a victorious struggle for socialism.

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**The other LTF members are the International Workers League (LOI-CI) Argentina, International Workers Party (POI) Chile, Revolutionary Trotskyist League (RTL) Peru, Red October International (ORI) Bolivia, and the Trotskyist Fraction (FT) Brazil.**

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